

DEADHORSE OIL COMPANY

EXHIBIT 3



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HERBERT
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March 22, 2019

Via U.S.P.S. and email

Tariq Ahmad
President
Pacific Energy & Mining Company (PEMC)
3550 Barron Way, Suite 13A
Reno NV 89511

Dear Mr. Ahmad,

The Utah Public Service Commission (Commission) is authorized by Title 54, Chapter 13 of the Utah State Code to adopt rules and regulations in conformance with the Natural Gas Pipeline Safety Act of 1968, as amended, and other applicable laws. The Commission, by orders issued in Docket No. 89-999-06, has adopted Title 49 CFR Parts 190, 191, 192, 198, 199, and Part 40 along with certain subsequent amendments. Through delegation from the U.S. Department of Transportation, the Division of Public Utilities' Pipeline Safety Staff (UTPS) monitors compliance and enforces intrastate natural gas pipeline safety requirements.

This follow-up letter is issued in response to your letter dated January 3, 2019 in regard to Inspection No. 20180430JB, of Pacific Energy and Mining Company's (PEMC) 21.9 miles of 16" Intrastate Transmission Steel Pipeline. The inspection was conducted from April 30th to May 3rd, 2018. The purpose of the inspection was to review the Public Awareness Program (PAP) and Drug and Alcohol Plan (D&A).¹ UTPS also conducted a records and field audit. During the inspection a total of five probable violations, two new and three carried over from 2016, were found as noted below:

Probable Violations Found:

- 1. 191.17 Transmission systems; gathering systems; liquefied natural gas facilities; and underground natural gas storage facilities: Annual report:** During the inspection no transmission annual report was submitted by the March 15, 2018 deadline.
PEMC Response: "Annual Report was filed on March 14, 2018 a confirmation was sent to your department by the United States Government. A copy of the filing is attached herewith;"
UTPS Comments: The PHMSA "Annual Report for Calendar Year 2017 Natural or Other Gas Transmission Report" was submitted by PEMC to PHMSA on May 14, 2018. UTPS also received the report on the same date. Although submitted after the March 15, 2018 deadline, *this probable violation is cleared because the report has been received.*

¹ UTPS uses a five year inspection cycle for PEMC's PAP and its D&A.

2. **191.29 National Pipeline Mapping System:** During the inspection no geospatial data was submitted to PHMSA for use in the National Pipeline Mapping System by the March 15, 2018 deadline.

PEMC Response: “Geospatial data was submitted to PIMMA during June, 2018. We have tried to contact the US Government, however due to closure of the Government offices we are unable to get an answer. We have uploaded the data again on January 4, 2019.”

UTPS Comments: PHMSA verified “no NPMS submission was received from PEMC to meet the NPMS submission requirement during 2018. A submittal was received on January 4, 2019, but reviews and processing for 2019 will not start this year until April”. *This probable violation remains open.*
3. **192.616 Public awareness (e) & (f):** The program must include activities to advise affected municipalities, school districts, businesses, and residents of pipeline facility locations. The program and the media used must be as comprehensive as necessary to reach all areas in which the operator transports gas. *No documentation was available to verify public awareness activities. Documentation required. This is a carry-over item from the 2016 inspection.*

PEMC Response: PEMC provided the following information in its January 3, 2019 response. On May 21, 2018 PEMC sent Public Awareness Notices to Stakeholder audience which included the Public Officials, Emergency Responders and nearby businesses along the pipeline Right-of-Way (ROW). Also, on January 3, 2019 Public Awareness content in Spanish and English language was sent to nearby public officials, school districts, the county road office, and the nearby airport.

UTPS Comments: Although PEMC sent notifications to the above stakeholder audience, it did not provide documentation showing how it determined the stakeholder audience as required in API RP 1162 Section 5.5 Identify Stakeholder Audiences. Also, mapping provided should show the minimum coverage area along the pipeline ROW as prescribed in API RP 1162 Section 5.5.1 Table 1. PEMC’s determination process must be included in the operator's written Public Awareness Program. *This probable violation remains open until the required documentation is provided.*
4. **192.616 Public awareness (g):** The program must be conducted in English and in other languages commonly understood by a significant number and concentration of the non-English speaking population in the operator's area. *This item was not addressed by the PEMC Procedural Manual for Operations, Maintenance and Emergencies (PMOME). This is a carry-over item from the 2016 inspection.*

PEMC Response: PEMC provided the following information in its January 3, 2019 response. PEMC made available its Public Awareness Notices translated in Spanish to Stakeholder audience which included the nearby public officials, school districts, county road office, and nearby airport. In addition, PEMC placed a notice in Spanish and English in the newspaper in Grand County.

UTPS Comments: Although PEMC made notifications available to the above listed audience, it did not provide documentation showing how it determined the non-English speaking population in the operator’s area as required in API RP 1162 Section 2.1 Public Education. Also, PEMC’s determination process must be included in the operator's written Public Awareness Program. *This probable violation remains open until the required documentation is provided.*

5. **192.616 Public awareness (h):** Operators in existence on June 20, 2005, must have completed their written programs no later than June 20, 2006. The operator of a master meter or petroleum gas system covered under paragraph (j) of this section must complete development of its written procedure by June 13, 2008. Upon request, operators must submit their completed programs to PHMSA or, in the case of an intrastate pipeline facility operator, the appropriate State agency. *An effectiveness review was not addressed by the PEMC PMOME. This is a carry-over item from the 2016 inspection.*

PEMC Response: PEMC stated in its January 3, 2019, response that it had conducted an “Effective [sic] review” of Public Awareness Program on June 1, 2018.” PEMC also stated “...in order to make our program effective we have emphasized the risks and hazards associated with our Natural Gas Pipeline natural gas pipeline ... using the following metrics: 1. Public Reach and 2. Awareness.”

UTPS Comments: The documentation provided by PEMC does not meet the effectiveness review requirement in API RP 1162 Section 9 Evaluation. Also, PEMC’s effectiveness review process must be included in the operator’s written Public Awareness Program. *This probable violation remains open until the required documentation is provided.*

In summary, although Probable Violation No. 1 has been cleared, Probable Violations No. 2 though No. 5 remain open until the required documentation is submitted. By **April 22, 2019**, please provide UTPS with the required documentation or PEMC’s plan to correct the deficiencies, including its proposed actions and dates by which it intends to submit the required documentation to UTPS.

Here are two references PEMC may find helpful when determining which documents must be submitted to UTPS. The PHMSA website offers some information about Public Awareness. Entering “public awareness” in the website’s search site showed the following information, accessible at <https://search.usa.gov/search?query=public+awareness&op=GO&affiliate=dot-phmsa-2>. Also, API provides “online access to nearly 200 key industry standards . . . cover[ing] all aspects of the oil and gas industry . . . including public awareness programs.” See <http://publications.api.org/>. API also has hardcopies and PDF versions available for purchase.

Be advised that failure to provide the required documentation, may result in UTPS taking enforcement actions against PEMC. In accordance with Utah Code Title 54-13-8, all violations are subject to civil penalties in the amount of up to \$100,000 per violation per day for noncompliance, with a maximum penalty of \$1,000,000 for any related series of violations.

If you have any questions concerning this inspection or the compliance process you may contact me at 801-580-7515 or call our office at 801-530-6286.

Sincerely,



Jimmy Betham
Pipeline Safety Engineer
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cc: (via email)
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